Syllabus

I. Course Description

This course focuses on macroeconomic issues and policies in open economies. It begins with a review of a traditional model of an open economy under different exchange rate regimes. It continues with the study of some of the most relevant topics in international finance, such as, determinants of international capital flows, currency crises, financial contagion, current account sustainability and sovereign crises, fiscal problems, and macropolicies in emerging markets and mature economies. Based on this discussion, the course ends by revisiting the debate of fixed versus flexible exchange rate regimes. At this time, special attention is dedicated to the debate about dollarization and currency unions.

II. Examinations

Midterm: October 29, 2012
Final: December 11, 2012

III. Problem Sets and Presentation

There will be 4 problem sets, two before the midterm and the rest before the final. While problem sets are not required, it is advisable for students to do the problem sets so as to be prepared for the exams. Students will be required to make a 20-minute presentation on one of the topics of the course.

IV. Basis of Grades

The course grade will be based on: the midterm (30%), the final exam (40%), and class participation and presentation (30%).

V. Important Announcements

No class on Monday November 26. Make-up class on Saturday, November 10, 4:30-6:30pm.
Reading List

I. Fixed and Floating Exchange Rate Regimes: A Review (1 Class)


II. International Capital Flows (2 Classes)


International Monetary Fund, *World Economic Outlook*, April 2011, Chapter 4: International Capital Flows: Reliable or Fickle?


III. Crises (2 Classes)


IV. Contagion (1 Class)


V. Sovereign Crises, Models and Standard Approaches to Evaluate Debt Sustainability (2 Classes )


**VI. Evaluating Debt Sustainability under Uncertainty and Debt Intolerance (1 Class)**


**VII. Fiscal and Monetary Policies (1 Class)**


**VIII. Fixed Versus Floating Once More (1 Class)**

